

Business Objectives	Current Challenges	Draft ideas for change	DRAFT Proposed recommendations	Enterprise business value of change
A. Capture financial events				
<ol style="list-style-type: none"> Record financial events consistently, accurately and timely to ensure accountability and that the results of operations and financial position are fairly stated in compliance with professional and other regulatory standards. Support governmental, proprietary, and fiduciary operations. Provide chart of accounts definitions and standards to enable agency and statewide data collection and financial analysis. Provide flexibility to support current and evolving agency and statewide business needs and industry standards. Support reporting of financial data across a multi-year time period for long-term analyses, as changes are made to the chart of accounts. Support financial data interchange with private and public business partners. 	<ol style="list-style-type: none"> The current system lacks the ability to capture detailed agency-specific line of business data, while simultaneously maintaining a standard structure to report at a consolidated statewide summary level. <ol style="list-style-type: none"> It is difficult to track costs by grant, project, contract, asset and location Agencies need more flexibility to record and analyze additional data elements and get more detailed numbers Some chart of account fields are used by various agencies for different purposes, making consolidation and statewide reporting difficult. Agencies require the flexible capability to define account code fields for the purpose of collecting agency-specific details that can be used as cost drivers in cost allocation analyses; for instance, an agency may need to track labor hours and payable costs to case numbers, projects, or specific capital assets or facilities. DSHS case management / financial recovery process needs robust AFRS feedback. Transaction codes limit agency ability to record events. These events must sometimes be recorded as a series of transactions and reversals that tend to obscure the intent and distort activity reporting Some agencies elect to send summarized data to AFRS rather than detailed operational data to avoid AFRS transaction fees; this contributes to the development and use of internal systems and hinders the ability to compile cross agency data. Historical data is lost during the biennium roll process. <ol style="list-style-type: none"> Historical totals for detailed account code fields such as org index and sub program are lost at biennium roll The biennium closing process causes the beginning balances of real accounts to not change in the new year until the system is closed. Nominal and treasury cash activity accounts do not exist in the new year due to the biennial closing process not rolling those amounts forward as if closed in a beginning cash or equity balance. The financial close process is labor intensive, due to interagency reconciliation, early agency close processes, late agency billings, adjustment errors, and reported accruals. <ol style="list-style-type: none"> Reconciling interagency due-to and due-from accounts requires a lot of effort during financial close (agencies billing late, agencies trying to close early, accruals from year to year) Agencies needing to close early must track and reconcile post-closing adjustments Late adjustment errors are difficult to correct, Some agencies post accruals late Local fund data may not be recorded timely. Financial close process is labor intensive, making it difficult to keep up with current fiscal period work Annual and terminal leave accruals are reported annually instead of routinely, even though they have a significant impact on financial reporting. Beginning fund balances are difficult to project at the beginning of a biennium, due to close process (prior year balances not closed until October/December)??? Difficult to isolate cash disbursement and receipt transactions for cash flow analysis such as sources and uses of cash statements and department of revenue data used by forecast council and others Labor distribution policies and practices vary widely across agencies and are not adequately supported by state systems. <ol style="list-style-type: none"> Processes used to collect workload statistics for cost analyses are labor-intensive, after the fact, not integrated, and not available when needed to support decisions. The current plan for HRMS labor distribution may not provide all the data needed to meet cost accounting requirements for all agencies. 	<ol style="list-style-type: none"> Adopt a single, consolidated robust state general ledger that allows cost effective and flexible collection of agency detailed transactions Allow the recording of transactions not defined by transaction codes Integrate cash and general ledger transactions through single points of entry Redesign the chart of accounts based on a strategic evaluation of the state's financial information objectives to accommodate both agency and statewide business needs Allow fund reserves for future spending to respond to economic volatility and disclose impact of eliminating reserves – particularly a problem for internal service funds and enterprise funds Increase accountability through use of provisos, appropriation codes, and allocation instead of fund/account, making the sources and uses of money within programs visible across agencies and timeframes Have fewer funds and accounts, making the sources and uses of money within programs visible across agencies and timeframes Link statewide receipt and use of funds; enhance interagency communication, collaboration and transparency for fund transactions, cash and book balances, fiscal activity, budget and projections Provide additional statewide detail reporting for fund activity and balances Isolate cash transactions for fund inflow and outflow reporting 	<ol style="list-style-type: none"> Consolidate information in one place at a standard level of detail based on commonality with agency flexibility for lower level detail Associate revenue with use from budget forward across agencies. Create source transaction standards (splits, distribution, multi-year) Record transaction from the source of activity, for example record to General Ledger and TM\$ simultaneously. <ol style="list-style-type: none"> Requires policy change and education to be a successful strategy For interagency transactions, one agency would enter the transaction for both agencies. (Single source entry) Allow the recording of transactions not solely defined by transaction codes 	

Business Objectives	Current Challenges	Draft ideas for change	DRAFT Proposed recommendations	Enterprise business value of change
B. Maintain fiscal integrity				
<p>7. Comply with legal and grant/contract provisions for the use of money.</p> <p>8. Monitor revenues and control expenses against agency and enterprise business plans, budgets, and legislative intent by fund and account.</p> <p>9. Support equitable allocation of costs.</p> <p>10. Establish prices or fees for activities, products, and services based on costs, legal constraints and/or other factors as appropriate.</p> <p>11. Provide flexibility to view and control original and allocated costs by function, activity, and organization.</p> <p>12. Ensure subsidiary accounts and agency line of business systems are in balance with the general ledger.</p> <p>13. Monitor plan versus actual and adjust as necessary.</p> <p>14. Project revenues and expenses based on current trends and anticipated events.</p> <p>15. Demonstrate compliance and fiscal accountability for cash and other assets, liabilities, reserves, equity, revenues, and expenses¹ by fund and account.</p> <p>16. Monitor and assess financial condition and activity at various agency and statewide levels.</p>	<p>8. The use of agency specific tools, systems and manual processes require significant data entry, reconciliation and correction efforts; for example cash and financial transactions, general ledger with capital asset subsidiary records, and cost allocation comparisons.</p> <p>a. It is challenging for agencies to reconcile cash and financial transactions</p> <p>b. When errors occur between AFRS and TM\$ with agencies (especially for decentralized agencies) it may be difficult to resolve problems</p> <p>c. Reconciliation of capital asset subsidiary records with the general ledger and other subsidiary records is difficult.</p> <p>d. Use of agency-unique cost allocation tools rather than an integrated central system requires significant data entry and reconciliation effort.</p> <p>e. Many agencies currently allocate costs through spreadsheets, which wastes resources creating, reconciling, and correcting errors.</p> <p>f. There are inadequate controls over who can book transactions to a fund so occasionally transactions hit a fund in error.</p> <p>g. Reconciliation between agency fund split, program structure and cost allocation structure is time consuming and difficult.</p> <p>9. There is no incentive for agency to save fund balance for future investments. Agencies perceive that they must spend all appropriated dollars (in non-capital program funds). If build up fund balance (reserve) it may be removed by legislative action.</p> <p>a. In non-appropriated funds, it is difficult to earmark revenues or fund balance for special purposes</p> <p>b. Difficult to earmark revenues or fund balance (agency budgetary control for proprietary funds)</p> <p>10. There is currently no visibility of agency allotments versus actuals for expenditures and revenues across agencies. Administrative agencies assume that the other agency will receive and spend 100% of their budget but will not be necessarily aware of the rate of spending from the fund versus the fund's cash or book balance.</p> <p>a. It is difficult to manage across-the-board increases and decreases to the general fund budget because fund revenues and expenditures are not linked and may be in multiple agencies.</p> <p>b. Agencies may not keep their spending and revenue plans updated.</p> <p>c. Difficult for fund administrative agency to see other agency spending and revenue deposits.</p> <p>d. It is not possible to view entire fund picture, allotments versus actuals for expenditures and revenues across agencies.</p> <p>e.</p> <p>11. Fund allotments for small amounts are very costly to administer (for example a fund with \$34,000 in a biennium).</p> <p>12. The number of funds and the related administrative workload has been increasing steadily over the past few years</p>	<p>k. Integrate appropriation and allotment processes with financial reporting processes for agencies, accommodating biennial, continuous, and capital appropriations and budgeted and non-budgeted funds</p> <p>l. Link statewide receipt and use of funds; enhance interagency communication, collaboration and transparency for fund transactions, cash and book balances, fiscal activity, budget and projections (duplicate)</p> <p>m. Create way to adjust allotments for (federal) programs based on actual revenue, grant, and cash flows</p> <p>n. Strategically design and implement a statewide activity based costing and budgeting model</p> <p>o. Adopt a single statewide allocation plan designed to maximize revenue and promote strategic decision-making</p> <p>p. Increase accountability through use of provisos, appropriation codes, and allocation instead of fund/account, making the sources and uses of money within programs visible across agencies and timeframes</p> <p>q. Have fewer funds and accounts, making the sources and uses of money within programs visible across agencies and timeframes</p> <p>r. Set floor on fund size – lower limit based on activity not balance. Create visibility into administrative cost associated with small dollar funds</p> <p>s.</p>	<p>6) Integrate appropriation and allotment processes with financial reporting processes for agencies, accommodating biennial and capital appropriations and budgeted and non-budgeted funds across biennial lines.</p> <p>7) Improve methods to make adjustments to allotments for programs that rely on actual revenue, grant funding levels and cash flows.</p> <p>8) Strategically design and implement a statewide activity based costing and budgeting model that will:</p> <p>a. Determine the full cost of government programs and services</p> <p>b. Promote strategic decision-making</p> <p>c. Provide visibility into and support for issues regarding the adequacy of funding from various sources</p> <p>9) Determine the feasibility of using the statewide cost model to develop a statewide cost allocation plan that will:</p> <p>a. Provide for equitable allocation of costs</p> <p>b. Maximize federal revenues</p> <p>c. Comply with federal regulations</p> <p>10) Reduce the number of funds by developing more cost effective ways to account for sources and uses of special funding, that will provide visibility of the funding across agencies and timeframes (e.g. through use of accounting methods such as appropriations rather than multiple funds)</p>	<ul style="list-style-type: none"> Can use state system to manage all programs, regardless of funding source and budget period Provides enterprise view of actual revenue and cash flows that is current and accurate at statewide level Promote strategic decision-making by allowing full costs to be analyzed at a statewide level Makes costs more comparable across agencies Provides visibility to fund source and adequacy issues Simplifies cost allocation processes Would simplifies cost allocation plan preparation processes Would allow the state to assist agencies in negotiating cost plans with cognizant agencies Reduces administrative burden

¹ Expenses include both expenses and expenditures.

Business Objectives	Current Challenges	Draft ideas for change	DRAFT Proposed recommendations	Enterprise business value of change
C. Inform decisions				
17. Align financial results with strategic and operational goals. 18. Align financial resources with core business activities. 19. Help managers allocate resources among competing priorities and distinguish between successful and unsuccessful strategies. 20. Provide information that influences people's behavior and supports good decision-making. 21. Enable decisions that will optimize resources and/or outcomes. 22. Facilitate planning, resource allocation, budget analysis, statistical evaluation, cash control, management control, and operating and strategic decision-making at the agency and statewide levels. 23. Provide information to stakeholder groups regarding the availability of resources for particular purposes and the impact on expected outcomes. 24. Engage in business planning for funds, creating reserves as appropriate. 25. Determine the full cost of government activities, products, and services across agencies according to applicable rules and regulations. 26. Determine whether activities, products, and services are cost effective.	13. Agencies lack the flexible analytical tools necessary to accurately determine costs, maximize revenues, and inform resource allocation decisions, to support Priorities of Government initiatives, and to adapt to emerging policy and operating business needs using allocation methods that are appropriate for the business situation. a. Agencies need the capability to allocate administrative costs to cost objectives to accurately determine costs and maximize revenues, using allocation methods that are appropriate for the business situation. b. Managers make decisions on a daily basis that have significant cost implications but are not routinely supported by cost data and analyses; this process is imprecise at best and totally inaccurate at worst. c. Incomplete, dubious data impedes the ability of state policy-makers and managers to measure performance, evaluate competitive contracting proposals, manage agency business operations effectively, price government services, make life-cycle investment decisions, assign costs to level of service options, and support a "priorities of government" approach to budgeting. d. Better cost accounting capability is required to support Priorities of Government initiatives and determine the costs of government services. e. Agencies lack the flexible cost analysis tools to provide timely and reliable high-level cost data and supporting details to inform resource allocation decisions. f. Current cost allocation tools are designed to address specific business issues; agencies need flexible analytic tools to adapt to emerging policy and operating business needs. g. Enterprise tools are not available to help agencies comply with state allotment instruction requirements to separate administrative costs between indirect costs and overhead costs and assign the indirect portion to activities through cost allocation. h. Agencies need the ability to model allocated costs for budgeting, cash flow, and rate setting projections. i. Enabling legislation for the State Auditor's Office (RCWs 43.09 and 42.40) mandates accurate allocation of costs between local government audits, state government audits and whistleblower investigations. Also, RCW 43.88.0909(3),(4)&(5) requires agencies to assess performance against their major programs as established in the budget. Current systems do not allow for these allocations, linking and assessment. j. Some agencies are moving rapidly toward accountability by cost center or business activity and need the tools available to achieve this goal. k. Fiscal notes on the impact of proposed legislation are based on inconsistent cost data from agency to agency and vary widely in format and quality. 14. Proprietary fund agencies need more robust functionality to calculate cost of goods sold, track resources available for operations, generate detailed profit and loss statements and manage day to day business operations. 15. Some agencies elect to send summarized data to AFRS rather than detailed operational data to avoid AFRS transaction fees; this contributes to the development and use of internal systems and hinders the ability to compile cross agency data.	t. Redesign the chart of accounts based on a strategic evaluation of the state's financial information objectives to accommodate both agency and statewide business needs u. Allow fund reserves for future spending to respond to economic volatility and disclose impact of eliminating reserves – particularly a problem for internal service funds and enterprise funds v. Eliminate restrictions on funds to allow for fully loaded costs and programs, including allocation of overhead and central service agencies in alignment with POG	11) Redesign the chart of accounts based on a strategic evaluation of the state's financial information objectives to accommodate both agency and statewide business needs. a. To implement this change it is essential to incorporate an affordable restructured rate model, policy and process changes to standardize the level of statewide detail required, and consistency with the budget activity codes. 12) Allow fund reserves for future spending to respond to economic volatility and disclose impact of eliminating reserves – particularly a problem for internal service funds and enterprise funds 13) Eliminate restrictions on funds to allow for fully loaded costs and programs, including allocation of overhead and central service agencies in alignment with POG	<ul style="list-style-type: none">Consistent data and common language to inform enterprise-wide decisions.Allows for long-term planning to ensure money is available when money is needed.Provides visibility to what doing business costs across the state. Enterprise business challenges <ul style="list-style-type: none">a. Changes to the chart of accounts or data reporting structure could create challenges for historical reporting and analysis.b. Communicating the value of change to the Legislature is a challenge, but critical to minimize success of change.

Business Objectives	Current Challenges	Draft ideas for change	DRAFT Proposed recommendations	Enterprise business value of change
D. Present financial results				
<p>27. Present financial results for operational, managerial, compliance and performance measurement purposes.</p> <p>28. Provide visibility and accountability in the use of public resources.</p> <p>29. Demonstrate the effectiveness of functions and activities within government to support performance results.</p> <p>30. Inspire investor and stakeholder confidence by demonstrating compliance with the highest professional standards.</p> <p>31. Provide a variety of fiscal reporting views to enable agency autonomy and statewide consolidation to meet management and reporting objectives. Views may include timeframes, fund type, agency line of business, level of detail, general ledger account classifications, accounting basis, and so forth.</p> <p>32. Provide flexibility to respond to inquires on current and emerging strategic priorities.</p>	<p>16. Agencies need better tools for specialized and customizable reporting capabilities to assess performance against funds and major programs established in the budget, to meet detailed “on-demand” management requests, cross-biennium, projected and multi-basis analysis.</p> <ul style="list-style-type: none"> a. The state biennial budget crosses fiscal years making certain reporting challenging (e.g. quarterly reporting in 2nd year of biennium) b. Agencies have limited ability to switch revenue and expenditure views between modified accrual, full accrual and cash bases c. Even with improved enterprise reporting tools, it still takes significant effort for some agencies to re-sort and compile data to meet agency internal management needs d. Some agencies need to prepare “on-demand” formal financial statements at a lower level of detail and on a more frequent or timely basis than AFRS closes (e.g. for agency lines of business, on a federal fiscal year, calendar year, quarter or four weeks basis) e. Agencies need better support for specialized reporting requirements such as infrastructure condition reporting, mark to market, and contingencies f. To comply with RCW 43.88.0909(3),(4)&(5), agencies need to assess performance against their major programs as established in the budget. Each agency's budget proposal must be directly linked to the agency's stated mission and program goals and objectives. Current systems do not allow for this linking and assessment. g. It is not possible to get a general ledger account transaction listings by fund across agencies. h. The current statewide formatting for trial balance, G/L, income statement by fund is not useful for analyzing transactions. i. Agencies track re-appropriations off-line to extend across biennium. Expenditure Authority for whole project allotted only for biennium. <p>17. It is challenging to communicate “where the money goes and how the money was spent” to citizens (e.g. what public services are provided by which revenue sources). It is especially difficult to allocate indirect and overhead administrative costs between activities and compile budget activity data across agencies.</p> <ul style="list-style-type: none"> a. Reporting expenditures by budget activity is a labor intensive process based on assumptions and estimates; it is especially difficult to allocate indirect and overhead administrative costs between activities and compile budget activity data across agencies b. Reporting for budgetary and operational management c. It is challenging to communicate “where the money goes” to citizens (e.g. what public services are provided by which revenue sources) 	<p>q. Provide robust financial reporting tools that link budgeted and actual financial data with projected amounts, performance measures and narrative</p> <p>r. Provide additional statewide detail reporting for fund activity and balances</p> <p>s. Isolate cash transactions for fund inflow and outflow reporting (Moved to A)</p> <p>t. Move to a net business or social value concept from simply expenditure controls – relate revenue sources to use. Revenue source linked to cost objectives, outcomes reporting, GMAP, POG (Popular reports)</p> <p>u. Capture state, federal, and other grant/revenue streams to match to spending by program</p> <p>v. Be able to understand the consequences of changes to revenue stream (tax rates?) on government spending and services (Move to Business Value)</p> <p>w. Establish statewide linkages of revenue sources (sub-source) across agencies and link to a funds usage (major source, source, and sub-source)</p> <p>x. Enhance cross agency visibility to detailed fund transactions, cash, and book balances – provide drill down from balances to activity, expense and revenue type</p>	<p>14) Provide a common set of robust and flexible reporting tools that:</p> <ul style="list-style-type: none"> a. Enhance and ease reporting preparation b. Link budgeted and actual financial data with projected amounts, performance measures and narrative c. Establish statewide linkages of revenue sources (sub-source) across agencies and link to a funds usage (major source, source, and sub-source) – fit better in A for COA consistency. d. Customize report writing by various criteria such as: project, program, time (State fiscal year, federal fiscal year, cross biennium, etc.) e. Provide necessary statewide detail reporting for fund activity and balances. f. Ability to tie agency business data to other statewide business data wherever appropriate and relevant such as human resources, performance, etc. <p>15) Link revenue sources (sub-sub-source) to cost objectives and outcome reporting across agencies (for fund reporting as well as GMAP, POG and other Popular reports)</p> <ul style="list-style-type: none"> a. Be able to display information relative to revenue stream (tax rates?) on government spending and services b. Be able to understand the consequences of changes to revenue stream (tax rates?) on government spending and services. <p>S. Isolate cash transactions for fund inflow and outflow reporting change to: ‘Relate revenue source to use’ and</p>	<ul style="list-style-type: none"> ▪ Average citizen will know how much it costs to do X ▪ Accountability & Visibility ▪ To tell the story and be able to use data to support it ▪ Improve efficiency of reporting ▪ Fund administration would be more efficient and could stay current on costs ▪ Allow stakeholders to make informed decisions ▪ Formerly V: So people can understand the consequences of changes to revenue stream (e.g. tax rate structure) on government spending and services ▪ To allow for analysis of state, federal, and other grant/revenue streams to match to spending by program <p>TO NOTE: AREAS of CONCERNS: Defining:</p> <ul style="list-style-type: none"> ▪ Flexibility and ▪ Level of detail to which you will link to performance measures.

Business Objectives	Current Challenges	<u>Draft</u> ideas for change	DRAFT Proposed recommendations	Enterprise business value of change
			move to A.	